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Energy ▣ oil and natural gas, natural gas liquids, coal ▣ mines and minerals ▣ lead and zinc, gold, silver and other metals, ores and concentrates, potash and other fertilizers, high purity metals and electronics materials ▣ raw steel and steel products ▣ steel plate and sheet, structurals, rails and fastenings, bars and grinding media, tube rounds, seamless tube and skelp ▣ pig iron, sinter, coke and coal chemicals ▣ forest products ▣ logs, studs and other lumber products, pulp and newsprint, particleboard and waferboard ▣ reforestation ▣ city and resort hotels, restaurants and airline catering services ▣ equipment leasing ▣ real estate development and property management ▣ shopping centres, industrial parks, office and commercial buildings, apartments, townhouse units and other residential developments, airport cargo handling and storage facilities, stockyards ▣ recycling waste animal products, liquid animal feed.

1974

Annual Report Canadian Pacific Investments Limited

Directors

*†W. A. Arbuckle,
Chairman of the Canadian Board,
The Standard Life Assurance Company,
Montreal

*F. S. Burbidge,
President,
Canadian Pacific Limited, Montreal

F. E. Burnet,
Chairman and Chief Executive Officer,
Cominco Ltd., Vancouver

*†A. M. Campbell,
Chairman,
Sun Life Assurance Company of Canada,
Montreal

R. W. Campbell,
Chairman of the Board and Chief Executive Officer,
PanCanadian Petroleum Limited,
Calgary

*W. Moodie,
President,
Canadian Pacific Investments Limited,
Montreal

†S. E. Nixon,
Corporate Director and Financial Consultant,
Montreal

Paul L. Paré,
President and Chief Executive Officer,
Imasco Limited, Montreal

†H. M. Pickard,
Chairman and Chief Executive Officer,
Marathon Realty Company Limited,
Calgary

*Ian D. Sinclair,
Chairman and Chief Executive Officer,
Canadian Pacific Limited, Montreal

R. D. Southern,
President and Chief Executive Officer,
ATCO Industries Limited, Calgary

W. J. Stenason,
Executive Vice-President,
Canadian Pacific Investments Limited,
Montreal

*Member of Executive Committee

†Member of Audit Committee

Officers

Ian D. Sinclair,
Chairman and Chief Executive Officer,
Montreal

W. Moodie,
President,
Montreal

W. J. Stenason,
Executive Vice-President,
Montreal

P. A. Nepveu,
Vice-President Finance and Accounting,
Montreal

G. S. MacLean,
Secretary,
Montreal

D. E. Sloan,
Treasurer,
Montreal

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G. S. MacLean, Secretary,
Canadian Pacific Investments Limited,
P.O. Box 6042, Station A,
Montreal, Canada
H3C 9Z9

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Contents

Transfer Agent and Registrar

Montreal Trust Company, Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver

Stock Listings

Preferred Shares, Series A:
Montreal, Toronto and Vancouver Stock Exchanges

Common Shares:
Montreal, Toronto and Vancouver Stock Exchanges

Notice of Annual and Special General Meeting of Shareholders

The Annual and a Special General Meeting of the Shareholders of Canadian Pacific Investments Limited will be held on Friday, May 2nd, 1975, at Le Château Champlain, Place du Canada, Montreal, Quebec, at 11:00 A.M. (daylight saving time, if operative), for the following purposes:

a. to receive the Report of the Directors, accompanying Consolidated Financial Statements and Report of the Auditors thereon, for the year ended December 31st, 1974;

b. to consider and, if deemed fit, to sanction By-law No. 14, enacted by the Board of Directors on August 30th, 1974, amending General By-laws 1 and 2 by adding the Chairman of the Company to those who may call meetings of the Board of Directors and of the Executive Committee and sign documents and by permitting the directors to include the Chairman of the Company as one of the designated officers who may be directed and authorized to borrow upon the credit of the Company;

c. to consider and, if deemed fit, to sanction By-law No. 15, enacted by the Board of Directors on August 30th, 1974, providing for a new seal containing the words Canadian Pacific Investments Limited, Investissements Canadien Pacifique Limitée, pursuant to Supplementary Letters Patent issued on June 12th, 1974 authorizing a change of name of the Company;

d. to consider and, if deemed fit, to sanction By-law No. 16, enacted by the Board of Directors on March 6th, 1975, increasing the number of Directors of the Company from twelve to fourteen;

e. to consider and, if deemed fit, to sanction By-law No. 17, enacted by the Board of Directors on March 6th, 1975, reinforcing the powers of the Executive Committee by the removal of the requirement for ratification of their actions by the Board of Directors;

f. to elect Directors;

g. to appoint the Auditors and to authorize the Board of Directors to fix their remuneration; and

h. to transact such other business as may properly come before the meeting.

The Board of Directors has by resolution fixed the time, before which proxies to be used at the Annual and Special General Meeting or any adjournments thereof must be deposited at Montreal, Quebec, with the Company or the Montreal Trust Company as Agent for the Company, at twenty-four hours, excluding Saturdays and holidays, preceding the Annual and Special General Meeting or any adjournments thereof.

By order of the Board,
G. S. MacLean, Secretary.

Montreal, March 6th, 1975.

Principal Subsidiary Companies

Canadian Pacific Investments Limited
Head Office:
Room 347, Windsor Station,
Montreal, Quebec

Marathon Realty Company Limited
H. M. Pickard, Chairman

Head Office:
Toronto-Dominion Centre,
P.O. Box 375,
Toronto, Ontario

Canadian Pacific Hotels Limited
D. W. Curtis, Chairman and President

Head Office:
Royal York Hotel,
Toronto, Ontario

Pacific Logging Company Limited
W. M. Sloan, President

Head Office:
468 Belleville Street,
Victoria, British Columbia

Canadian Pacific Securities Limited
D. E. Sloan, President

Head Office:
Room 247, Windsor Station,
Montreal, Quebec

CanPac Leasing Limited
R. G. Hunkin, President

Head Office:
Suite 939, Place du Canada,
Montreal, Quebec

***Cominco Ltd.**
F. E. Burnet, Chairman

Head Office:
200 Granville Square,
Vancouver, British Columbia

***PanCanadian Petroleum Limited**
R. W. Campbell, Chairman

Head Office:
One Palliser Square,
125 — 9th Avenue S.E.,
Calgary, Alberta

***The Algoma Steel Corporation, Limited**
David S. Holbrook, Chairman and President

Head Office:
503 Queen Street East,
Sault Ste. Marie, Ontario

***The Great Lakes Paper Company, Limited**
C. J. Carter, President

Head Office:
Thunder Bay, Ontario

Fording Coal Limited
M. N. Anderson, President

Head Office:
Trail, British Columbia

CanPac Minerals Limited
M. N. Anderson, President

Head Office:
Natural Resources Building,
205 — 9th Avenue S.E.,
Calgary, Alberta

*A copy of the 1974 annual report of this company can be obtained by writing to its Secretary at the head office address shown

To the Shareholders

Major steps were taken in 1974 to broaden further the Company's earnings base. By far the most significant of these was the acquisition of control of The Algoma Steel Corporation, Limited. This establishes an important position for the Company in the manufacturing field. Algoma is well advanced on a major expansion program which will enable it to increase production to meet the growing demand for steel. Consolidation of Algoma's results from July onwards accounted for a substantial addition to 1974 earnings.

On quite a different scale, the Company moved into another new area with the formation of CanPac Waste Disposal Systems Limited, which was set up to engage in the rapidly developing field of waste recycling and disposal.

In addition to these new ventures, each sector of the Company's natural resources extraction and processing operations and its hotel and real estate activities moved forward on expansion or diversification projects to ensure continuing earnings growth.

Earnings in 1974 were at a new peak. The largest increases came from mines and minerals and oil and gas, but gains in income from newsprint and pulp, real estate, hotels and finance were significant. The only major weakness was log and lumber operations, which suffered from the severe decline in housing construction.

Net income per Common share increased to $2.29 from the comparable 1973 figure of $1.40. On a fully diluted basis, which assumes that all the outstanding Preferred shares are converted, 1974 earnings per Common share amounted to $2.16. Dividends on the Common shares were raised to 62¢ from 53¢ in the previous year.

During the year 3,304,344 Common shares were issued on conversion of Preferred shares and 763,838 on exercise of warrants. Up to November 1, 1974, the expiry date of the warrants, 797,476 were exercised out of five million issued.

In 1975 the Company faces the challenge of improving on a record year, during a downswing of the economic cycle. At this time it seems likely that improvement in earnings will be achieved from the broader and stronger earnings base that has been progressively built up. The extent of such improvement, however, depends very much on the course taken by current recessionary trends. If, as is expected, the economies of Canada and her major trading partners rebound in the last half of 1975, the Company is well structured to share in a new surge of growth.

In broad terms, the immediate outlook is best for oil and gas, steel, and coal; it is good for newsprint and pulp; moderately good for base metals; and uncertain for logs and lumber. The outcome of negotiations of subsidiary company labour contracts terminating in 1975 will have an important bearing on the year's results.

Over the longer term, the dynamic capacity of this Company, as well as of many other Canadian companies, can be put to best use if governments avoid policies which penalize efficiency and inhibit risk-taking.

The Directors are pleased to express appreciation to officers and employees for their contributions to a highly successful year.

For the Directors,

Chairman and Chief Executive Officer

Montreal, March 6, 1975.

Oil and Gas

PanCanadian Petroleum Limited

The accelerated pace of PanCanadian's exploration activity set in the early 1970's was maintained throughout 1974. The year's higher earnings and increased cash generation helped to finance these increasingly expensive programs.

As it had in 1973, PanCanadian in 1974 drilled more wells in Canada than any other operator. Exploration in Alberta was concentrated largely in the Southern Plains, Foothills and Deep Basin areas and significant hydrocarbons were discovered in all three. Development of the shallow gas reserves near Medicine Hat continued and 239 successful wells were completed. Geophysical exploration was carried forward in the Mackenzie Delta and on the Scotian Shelf, and a preliminary seismic survey was conducted on a portion of the approximately six million acres held under option in New Brunswick.

Activities outside Canada included exploratory drilling in Colorado, Louisiana and Montana. In Wyoming successful oil producers were brought in, and in Alabama and offshore Texas encouraging finds were made. A total of 7,400 acres offshore Texas acquired in partnership will be explored in 1975. PanCanadian acquired a 20% interest in 1.8 million acres for exploration in the North Lar Block in Iran, where drilling is planned to commence in 1975. Drilling in the Dutch North Sea and offshore Indonesia planned for 1974 had to be deferred because of a shortage of offshore drilling rigs.

Comparative year-end figures for net proven and probable reserves are as follows:

	1974	1973
Crude oil and natural gas liquids — million barrels	194.5	206.8
Natural gas — billion cubic feet	2,298	2,225
Sulphur — million long tons	4.1	3.6

PanCanadian's 1974 production of natural gas increased 8%. However, for the first time in its history, the company's crude oil production decreased. This reflected loss of markets for medium and heavy gravity crude oil due to the imposition of the Federal Oil Export Tax.

The Federal-Provincial agreement to increase the price of oil at the wellhead by $2.70 per barrel effective April 1, 1974 was followed shortly by increased provincial royalty rates and later by Federal Budget provisions which, together, have substantially increased governments' share of producer profits.

The Company's holding of PanCanadian shares, representing an 87.1% interest, had a market value of $210.7 million at the end of 1974 based on the closing market price of $7¾ per share.

Panarctic Oils Ltd.

Canadian Pacific Investments holds a 12.6% net interest in Panarctic Oils Ltd. through two of its subsidiaries, PanCanadian Petroleum and Cominco. Panarctic continued a large and active exploration program in the Canadian Arctic. In 1974 a promising oil find was made on Cameron Island and a successful offshore well raised estimates of the reserves of the Hecla gas field.

Gas Pipelines

The Company has decided to withdraw as a direct participant from Canadian Arctic Gas Study Limited, now that objectives of its membership have been met. It will continue to have indirect participation through its interest in TransCanada PipeLines Limited. The Company's participation in the Polar Gas Project is under review.

Mines and Minerals

Cominco Ltd.

The Company's net income from Cominco, after minority interest, amounted to $46.6 million compared with $23.4 million in 1973. Revenues reached an all-time high due to strengthened prices for all products. Production of refined zinc, lead and fertilizers was substantially less than in 1973 because of a protracted strike which shut down those operations of the company in British Columbia. Improved prices for potash were very largely absorbed by the raising of mineral and royalty taxes in Saskatchewan to oppressive levels.

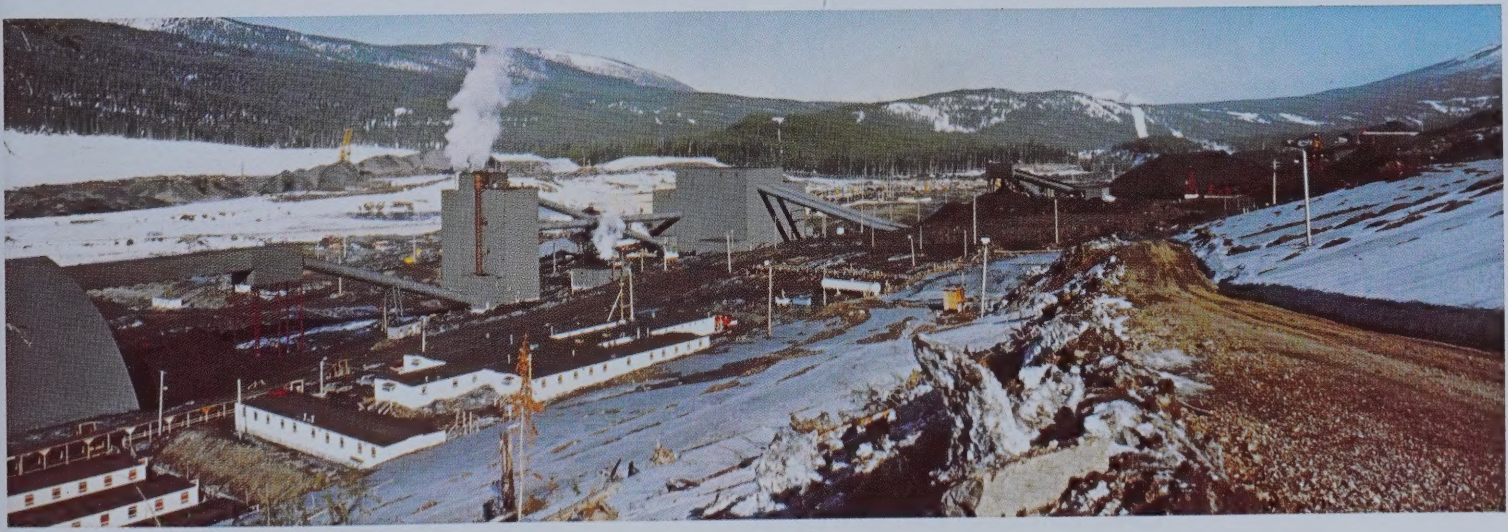
Of Cominco's subsidiaries, the 69%-owned Pine Point Mines Limited showed significantly better earnings as a result of a record level of operations and higher metal prices. Cominco American Incorporated, a wholly-owned subsidiary in the United States, reported substantial increases in all phases, and operations of the 55%-owned Aberfoyle group of companies in Australia produced improved income owing to increased world metal prices.

Operations at the Black Angel Mine in Greenland were most satisfactory in the first year of full production. Concentrates were shipped to European smelters beginning in July and continuing into November. This mine is operated by Greenex A/S, a wholly-owned subsidiary of Vestgron Mines Limited in which Cominco has a 62% interest.

Construction is well under way to bring the Rubiales zinc-lead mine in Northern Spain into production. The underground mine and ore concentrator will produce annually 115,000 metric tons of zinc concentrates and 15,000 metric tons of lead concentrates. Cominco is the operator of the project, in which it holds a 47% interest.

During the year Cominco announced plans for an ammonia-urea fertilizer complex east of Calgary, Alberta.

Cominco continued its world-wide exploration program, concentrating on areas with both attractive geological conditions and a political climate encouraging to investment.



Top left — Cable car provides access to cliff-side portal of Cominco's Black Angel Mine in Greenland. More than 40 per cent of Cominco's 1974 net earnings were generated by activities outside Canada.

Top right — For the second consecutive year in 1974, PanCanadian Petroleum drilled more wells in Canada than any other operator. Keeping land maps of the company's extensive holdings up to date is a vital function.

Fording Coal Limited treatment and maintenance facilities near Elkford, B.C. The operation produces 3,000,000 tons of metallurgical coal yearly for Japanese markets.

The market value of the Company's holding of Cominco shares, representing a 54% interest, was $224.5 million at the end of 1974, based on the closing market price of $24½.

CanPac Minerals Limited

Increased demand and rising prices for coal and potash resulted in higher earnings for CanPac Minerals in 1974. The Company's share of these earnings, including its equity in the 40% share taken up by Cominco, was $610,000.

CanPac Minerals is accelerating pre-production development work on its thermal coal properties in Alberta in recognition of the growing importance of coal for generating electric power.

Fording Coal Limited

Fording Coal earned $1.2 million in 1974, compared with the loss of $5.9 million reported for 1973. The Company's share of these earnings, including its equity in the 40% share taken up by Cominco, was $959,000. In addition, the Company received ownership payments of $895,000 from Fording.

The turnaround was the result of successful negotiation of a price increase, effective April 1, 1974, and some improvement in productivity. Production was well below capacity, due to a seven-week strike early in 1974 and plant modifications later in the year. Fording expects better operating performance during 1975.

Forest Products

The Great Lakes Paper Company, Limited

Strong demand for its products and improved prices for newsprint and pulp enabled Great Lakes to attain a record level of revenues and earnings in 1974. After minority interest, the Company's net income from Great Lakes Paper, included in net income from forest products, amounted to $8.2 million in 1974 compared with $4.0 million in 1973.

Shipments of newsprint and pulp were lower than in 1973 mainly due to a seven-week strike of woodlands employees late in the year that eventually caused a shut-down of all operations. It is estimated that the strike reduced Great Lakes' earnings by about $3.6 million.

Target dates for completion of the various stages of Great Lakes' multi-million-dollar diversification program are being met. The particle-board-waferboard plant will open in March, 1975 and the initial doubling of capacity of the stud mill is scheduled for April.
The final phase of the stud mill expansion is expected to be completed by mid-1976. Construction of the kraft pulp mill commenced in June and work on the structure is well advanced. Installation of equipment will start in 1975 and production is scheduled to begin in mid-1976.

The acquisition of an additional 88,500 common shares in 1974 increased the Company's interest in Great Lakes Paper to 55.4% of the voting stock. This holding had a market value of $29.5 million based on the 1974 closing price of $14¾ per share.

Pacific Logging Company Limited

Net income of Pacific Logging in 1974 of $3.8 million, although less than half the $8.4 million earned in 1973, was higher than in any other prior year.

Results for the first half of 1974 held up reasonably well in spite of poor logging conditions and some weakness in Japanese and U.S. lumber markets. In the last half, these markets virtually collapsed and this, together with a strike of woodworkers in B.C., caused a drastic fall-off in earnings.

Pacific Logging's costs of production have risen substantially due to the wage settlement which ended the strike, to increased stumpage payments to the B.C. government, and to costs for additional logging roads to meet provincial forestry guidelines.

In pursuing its forestry development program, Pacific Logging planted 1.2 million trees on 2,900 acres in 1974. Fertilization of 1,830 acres of immature forests was carried out and work was begun on the second phase of the genetically improved seed orchard.

Iron and Steel

The Algoma Steel Corporation, Limited

Under the terms of a cash offer made in June, Canadian Pacific Investments Limited purchased 2.5 million shares of The Algoma Steel Corporation, Limited, at a cost of approximately $80 million, to bring its total holding to 50.5% of all the issued shares. Results of Algoma were consolidated from July.

Algoma Steel is a major Canadian primary iron and steel producer which owns, leases or has an interest in iron and coal properties supplying about 85% of its requirements of these raw materials.

Algoma is engaged in an expansion program at its Sault Ste. Marie plant in Ontario which will increase raw steel capacity from 2.8 million tons to 4 million tons per annum by late 1975. Concurrently, facilities for production of a wide range of finished steel products are being improved and enlarged. To provide for adequate supplies of raw materials, a new coal mine was put in production in 1974 and additional coal reserves in West Virginia were leased for mining development. Plans were also made for doubling production from an iron ore mine in northern Michigan in which Algoma has an interest.

Top left — Operator monitors Algoma Steel's relocated 106-inch hot strip mill facilities. Computer-control provides optimum efficiency, flexible scheduling, reduced maintenance and improved quality control.

Bottom left — Forming station in Great Lakes Paper Company's new particleboard-waferboard plant is controlled automatically. Particles and wafers are formed into surface and core layers for pressing into finished board.

Algoma's new No. 7 blast furnace, under construction in 1974, is largest in Canada. It will produce 5,000 tons of molten iron per day when in full operation.

Shipments, sales and earnings of Algoma all attained record levels in 1974 as a result of very strong demand for steel, an improved product mix, greater efficiency of new facilities, and higher product prices. These favourable factors more than compensated for severe increases in the costs of coal, iron ore and alloys throughout the year.

The market value of the Company's holding of Algoma Steel shares was $147.5 million at the end of 1974, based on the closing market price of $25 per share.

Real Estate

Growth of the earning potential of Marathon Realty through acquisitions of properties and completion of projects across the country was reflected in higher net income in 1974.

In British Columbia, the residential Phase I of Vancouver's Arbutus Village development, consisting of 179 condominium units, was completed and fully sold. Arbutus Village Square, a specialty-type shopping mall, being retained by Marathon, was opened in November. Residential Phase II, also condominiums, is partially completed.

At False Creek, Vancouver, commercial and residential zoning was obtained and a 400-boat marina was built on property leased from Marathon. In the Gastown area of Vancouver an affiliated company is completing work on Gaslight Square, an innovative retail development comprising 30 shops.

In Alberta, the Four Seasons Hotel in Calgary, in which Marathon holds a one-third interest, was opened in September. Three industrial buildings in Calgary and one in Edmonton were under construction at year end.

In Manitoba, Marathon acquired two office buildings in the heart of Winnipeg with a view to future re-development.

In Ontario, the Peterborough Square development is scheduled for opening in the summer of 1975. This enclosed shopping mall, hotel and office building project has drawn enquiries from other municipalities regarding possible re-development of their downtown cores.

Two office buildings in downtown Kitchener and an enclosed shopping mall in Waterloo were purchased. Construction of two multi-tenant industrial buildings in Scarborough will be completed by mid-1975.

In Quebec, construction of the 15-storey office building in Montreal, in which CP Telecommunications is to be the major tenant, was delayed by a strike. It is now expected to be completed in 1975. The first multi-tenant warehouse in Summerlea Industrial Park is now fully leased, and a second is under construction.

Hotels and Food Services

Expansion of operations and competitive advantages provided by renovation programs were important factors in the higher earnings of Canadian Pacific Hotels Limited in 1974.

During the year the company purchased the Palliser Hotel in Calgary and Le Château Montebello in Montebello, Quebec, from Canadian Pacific Limited. It also acquired full ownership of the Chateau Halifax in which it had previously held a 50% interest.

The Red Oak Inn at Thunder Bay, Ontario, second of that style of motor inns to be built, was opened in December. A third Red Oak Inn, part of Marathon Realty's re-development project in Peterborough, Ontario, is expected to be completed in the second half of 1975.

Within Canada, progress was made in planning for future hotel construction and operation at Ottawa and London, Ontario and at the new international airports at Calgary and Montreal.

Internationally, CP Hotels is actively engaged in exploring possibilities for development of hotel facilities in major centres throughout the world. The agreement for management of two hotels in Mexico expired on January 31, 1975. The company intends, however, to continue operating in Mexico.

The restoration program for Le Château Frontenac in Quebec City was well under way by the end of 1974 when the terrace level food and beverage facilities had been completed.

Food service operations were augmented with the addition of a "Chateau" flight kitchen at Vancouver International Airport. In Mexico, the company commenced management of a flight kitchen in which it has a 40% interest, the balance being held by KLM. Construction of a flight kitchen at Montreal's new Mirabel Airport is expected to commence in 1975.

Historic market hall building and clock tower are being preserved and refurbished as part of Marathon Realty's $15 million Peterborough Square downtown development project due for completion in 1975.

Staff members of CP Hotels' new Thunder Bay Red Oak Inn in front of swimming pool in the hotel's all-weather solarium. Hotel opened to public in 1974.

Finance

CanPac Leasing Limited

Lease receivables of CanPac Leasing increased substantially during 1974, and while net earnings also increased, profit growth was restricted by the high cost of funds borrowed during the year.

More than 60% of the company's lease business comes from companies outside the Canadian Pacific group, and the balance from within the group.

Canadian Pacific Securities Limited

During the year this company increased its borrowings by $53.7 million to provide financing for various companies in the Canadian Pacific Investments group. Of this amount, $30 million was a 10½% debenture issue maturing in ten years but redeemable in five at the option of the holder.

Other Operations

CanPac Waste Disposal Systems Limited

CanPac Waste Disposal Systems acquired all the outstanding shares of Rothsay Concentrates Co. Limited, an Ontario based company whose major business is conversion of animal and vegetable waste products into valuable animal feed ingredients. CanPac Waste also secured an interest in Steirian Rendering Company of Austria.

Commandant Properties Limited

The Company purchased Commandant Properties Limited from Canadian Pacific Limited on January 1, 1975. Commandant owns approximately 100 square miles of land, mostly forest, at Montebello, Quebec. In accordance with a forestry plan developed by Great Lakes Paper, the company engages independent contractors to cut its timber. Plans for real estate development are being prepared.

Investment Income

Net investment income was down $4.2 million from 1973, reflecting substantially higher interest expenses.

During the year the Company sold preferred stocks having a total book value of $5.4 million. The principal addition to the portfolio was 274,800 common shares of MacMillan Bloedel Limited. In view of higher dividends declared on the common stock of TransCanada PipeLines Limited, the entire holding of 161,800 shares of that company's $2.75 convertible preferred stock Series "A", was converted into common shares.

Directorate

In May, 1974, The Honourable Duff Roblin, P.C., C.C., who joined the Board in 1967, resigned from the position of President of the Company and from the Board of Directors and the Executive Committee. The Directors desire to record their sincere appreciation for the service rendered by The Honourable Duff Roblin as President and a Director of the Company.

Mr. William Moodie was appointed a Director and a Member of the Executive Committee to fill the vacancies created by the resignation of The Honourable Duff Roblin and was elected President of the Company effective January 1, 1975.

Stock Holdings

At the year end 58,039,782 Common shares were outstanding. Of these, 50,000,000 were owned by Canadian Pacific Limited and the remainder were owned by 10,569 shareholders of whom 98.6% were Canadian registrants. At December 31, 1974 there were 10,161 registered shareholders of the Preferred shares, Series A, of whom 97.6% were Canadian registrants.

Canadian Pacific Investments Limited

1974

Financial Statements

Summary of Significant Accounting Policies

Consolidation

The consolidated financial statements of Canadian Pacific Investments Limited (CPI) include the accounts of all subsidiary companies. The principal subsidiaries, classified by line of business, are as follows:

		Percentage Ownership
Oil and gas	PanCanadian Petroleum Limited	87.10%
Mines and minerals	Cominco Ltd.	54%
	Fording Coal Limited CanPac Minerals Limited	60% CPI and 40% Cominco
Forest products	Pacific Logging Company Limited	100%
	The Great Lakes Paper Company, Limited	55.43%
Iron and steel	The Algoma Steel Corporation, Limited	50.56%
Real estate and related operations	Marathon Realty Company Limited	100%
Hotels and food services	Canadian Pacific Hotels Limited	100%
Finance	Canadian Pacific Securities Limited	100%
	CanPac Leasing Limited	100%
Other operations	CanPac Waste Disposal Systems Limited (incorporated March 29, 1974)	100%

The financial statements of Algoma Steel are consolidated with those of CPI with effect from the beginning of July, 1974 (See Note 5).

Investment in Dominion Bridge Company, Limited, a 43%-owned associate of Algoma Steel, is accounted for by the equity method. Algoma Steel's equity in net income of Dominion Bridge of $4,352,000 from the date of consolidation of Algoma Steel is included in sales and operating revenue of Iron and Steel.

As the result of a study to determine the appropriate allocation of the excess of cost of CPI's investment in Great Lakes Paper over the book value of the underlying equity in net assets, $29,452,000 has been attributed to timber licenses and transferred from Other Assets to Properties. A similar transfer has been made of the excess relating to Cominco, $10,335,000. Figures for 1973 have been restated to conform to this basis.

With the exception of interest, (amounting to $13,026,000 in 1974 and $9,352,000 in 1973), there are no significant intercompany charges within the CPI group of companies. In the statement of consolidated income, in order to present fairly the results by activity, these interest charges have not been eliminated. CPI's net income is not affected by this practice.

The interest of outside shareholders in the net income from mines and minerals is more than 50% of the total income because of minority interests in certain subsidiaries of Cominco Ltd., a 54% subsidiary of CPI.

Foreign exchange

Current assets and current liabilities have been translated from foreign currencies into Canadian dollars at current rates. Fixed assets and accumulated depreciation and long term debt have been translated at historical rates. Revenues and expenses (except depreciation, which is translated at historical rates) have been translated at average rates in effect during the year. Gains or losses on exchange are included in income.

The accounts of certain coal and ore mining subsidiaries in the United States have been translated into Canadian dollars at par. There would have been no material effect on these statements had the basis described in the preceding paragraph been used.

Inventories

Raw materials and products of mining operations are valued generally at the lower of cost (determined on the monthly average method) and net realizable value. Stores and materials are valued at cost less appropriate allowances for obsolescence.

Finished products and work in process of iron and steel operations are valued at the lower of cost and net realizable value. Raw materials and supplies are valued at the lower of cost and replacement cost.

Other inventories (principally related to forest product operations) are valued at the lower of cost (generally average cost) and net realizable value.

Lease revenue

The excess of aggregate rentals less lease acquisition costs over the cost of leased assets is recorded as income over the term of the lease in decreasing amounts pro rata to the declining balance of the investment not yet recovered. All leases are fully funded and gains arising from residual values of leased assets are reflected in earnings only when realized.

Accounting for oil and gas properties

The full cost method of accounting is followed for oil and gas properties, whereby all costs related to the exploration for and the development of oil and gas reserves are capitalized. Such costs are depleted by the unit of production method based on estimated proven oil and gas reserves.

Accounting for mining properties

Expenditures on general mineral exploration are charged to expenses as incurred. Expenditures on investigating identified properties and developing mines are capitalized.

Capitalized expenditures, together with the costs of certain investments in mining companies, are amortized against earnings by charges for depletion based on the mineral resources position.

Accounting for iron and steel properties

Depreciation of manufacturing plant and equipment is provided on the straight-line basis at rates intended to write off these assets over their estimated economic lives. Mining equipment and mine development costs are amortized on a unit of production basis over the estimated recoverable iron ore and coal reserves.

Expenses incurred in the exploration for raw materials and the costs of investigating and holding raw material properties are charged to earnings as incurred.

Accounting for real estate properties

Land is carried at cost. Development costs and carrying costs, net of incidental revenue, are capitalized for land currently being developed or on which development is expected within five years, providing the book value of the land does not exceed market value. Carrying costs of all other land are included in operations.

Buildings and construction in progress are carried at cost, including interest during construction, pre-completion operating costs less any revenue, and other direct development expenses.

The sinking fund method of providing for depreciation is used for major real estate developments. The sinking fund method will write off the cost of the buildings over a maximum period of 40 years in a series of annual instalments increasing at the rate of 5% compounded annually. Under this method depreciation charged to income in later years will be substantially higher than the amount charged in earlier years.

Accounting for other properties

Depreciation and amortization of other properties are charged to earnings, generally on the straight-line basis, over the estimated economic lives of the facilities involved.

Pensions

In addition to current service costs, charges to income include annual payments on account of past service liabilities. Such liabilities are being funded in equal annual instalments to 1989 and 1991.

Income taxes

The companies follow the tax allocation basis of accounting for income taxes, whereby tax provisions are based on accounting income and taxes relating to timing differences between accounting and taxable income are deferred. Income taxes have been provided on the assumption that the Federal budget proposals introduced in November 1974 will be enacted.

For timing differences relating to oil and gas exploration and drilling expenditures, the practice of providing deferred income taxes at an estimated rate was followed until December 31, 1973, although it was the practice in the oil and gas industry to make no provision for taxes so deferred. In 1974, a National Policy Statement by the Canadian provincial securities commissions required tax allocation at full effective tax rates with respect to such expenditures. Tax provisions relating to oil and gas income have been restated to give retroactive effect to this change, which reduced 1973 net income by $2,613,000 and retained earnings at December 31, 1973 by $18,903,000.

Earnings per share

Earnings per common share are calculated using the weighted average number of shares outstanding during the year. Fully diluted earnings per share are calculated on the assumption that all preferred shares are converted at the beginning of the year and that all warrants which were exercised prior to their expiry date on November 1, 1974 were exercised at the beginning of the year. A return of prime bank rate on the proceeds of the warrants was assumed.

Statement of Consolidated Income

	For the Year ended December 31	1974	1973
		(in thousands)	
Oil and Gas	Gross operating revenue	**$130,572**	$ 75,374
	Expenses including income taxes	**84,329**	54,074
		46,243	21,300
	Interest of outside shareholders	**5,926**	2,651
	Net income	**40,317**	18,649
Mines and Minerals	Gross operating revenue	**860,802**	565,354
	Expenses including income taxes	**754,330**	519,750
		106,472	45,604
	Interest of outside shareholders	**57,749**	25,428
	Net income	**48,723**	20,176
Forest Products	Sales and operating revenue	**153,598**	143,291
	Expenses including income taxes	**134,820**	127,001
		18,778	16,290
	Interest of outside shareholders	**6,709**	3,853
	Net income	**12,069**	12,437
Iron and Steel	Sales and operating revenue	**253,138**	—
	Expenses including income taxes	**225,108**	—
		28,030	—
	Interest of outside shareholders	**13,858**	—
	Net income	**14,172**	—
Real Estate and Related Operations	Gross rentals and other income	**50,694**	35,384
	Expenses including income taxes	**45,112**	30,672
	Net income	**5,582**	4,712
Hotels and Food Services	Gross operating revenue	**86,129**	67,937
	Expenses including income taxes	**81,622**	64,254
	Net income	**4,507**	3,683
Finance	Gross operating revenue	**30,799**	19,797
	Expenses including income taxes	**30,019**	19,202
	Net income	**780**	595
Other Operations	Gross operating revenue	**599**	—
	Expenses including income taxes	**641**	—
	Net income	**(42)**	—
Investment Income	Gross income	**13,077**	10,524
	Expenses including income taxes	**8,548**	1,803
	Net income	**4,529**	8,721
	Income before Extraordinary Items	**130,637**	68,973
	Extraordinary items after income taxes	**—**	6,207
	Net Income	**$130,637**	$ 75,180
Earnings per Common Share	Income before extraordinary items	**$2.29**	$1.28
	Net income	**2.29**	1.40
Fully Diluted Earnings per Common Share	Income before extraordinary items	**2.16**	
	Net income	**2.16**	

See Summary of Significant Accounting Policies, Other Financial Information and Notes to Financial Statements.

Statement of Consolidated Retained Income

	For the Year ended December 31	1974	1973
		(in thousands)	
	Balance, January 1		
	As previously reported	**$224,904**	$179,435
	Less: Prior period adjustment to give effect to adoption of full tax rates in applying the tax allocation basis of accounting in respect of oil and gas exploration and drilling expenditures	**18,903**	16,290
	As restated	**206,001**	163,145
Add:	Net income for the year	**130,637**	75,180
		336,638	238,325
Deduct:	Dividends		
	4¾% Preferred shares	**2,082**	4,674
	Common shares (per share — 1974 — 62¢; 1973 — 53¢)	**35,641**	27,650
		37,723	32,324
	Balance, December 31	**$298,915**	$206,001

Statement of Changes in Consolidated Financial Position

	For the Year ended December 31		1974	1973
			(in thousands)	
Source of Funds	Income before extraordinary items		**$130,637**	$ 68,973
	Add/(Deduct)			
	Depreciation, depletion and amortization		**110,944**	86,464
	Deferred income taxes		**33,951**	27,244
	Equity in net earnings of associated company		**(4,352)**	—
	Dividends from associated company		**1,379**	—
	Outside shareholders' interest in income of subsidiaries		**84,242**	31,932
	Funds from operations		**356,801**	214,613
	Sales of investments		**6,177**	23,083
	Capital stock issued			
	Common			
	Issued	$43,737		
	Less: Conversion of preferred shares	33,043	**10,694**	282
	Issuance of long term debt		**228,995**	147,618
	Proceeds from disposal of properties		**3,182**	11,388
	Working capital of subsidiaries acquired and consolidated		**69,942**	5,012
			$675,791	$401,996
Application of Funds	Additions to properties		**$313,172**	$134,231
	Additions to investment portfolio		**9,995**	65,693
	Additions to other investments		**34,608**	5,174
	Additions to lease receivables		**29,218**	16,017
	Investment in subsidiaries acquired and consolidated		**96,353**	38,092
	Reduction in long term debt		**97,925**	129,158
	Dividends declared		**37,723**	32,324
	Dividends paid outside shareholders of subsidiaries		**39,774**	16,916
	Sundries (net)		**5,110**	1,597
	Increase in working capital		**11,913**	(37,206)
			$675,791	$401,996

See Summary of Significant Accounting Policies, Other Financial Information and Notes to Financial Statements.

Consolidated Balance Sheet — Assets

December 31		1974	1973
		(in thousands)	
Current Assets	Cash and temporary investments, at cost (approximates market)	$ 144,788	$ 181,223
	Deposits and demand loans (interest-bearing) — Canadian Pacific Limited and subsidiaries	107,916	74,390
	Dividends and other accrued interest receivable	4,573	2,117
	Accounts receivable	209,224	124,776
	Inventories	250,683	121,073
	Prepaid expenses	13,866	6,627
		731,050	510,206
Receivables under Leases	Amount due under lease agreements after one year	70,669	38,220
	Less: Deferred income	18,773	9,512
		51,896	28,708
Investments	Portfolio, at cost (market value $165,365,000; 1973 — $292,528,000)	220,948	276,735
	Other	152,058	57,519
		373,006	334,254
Properties, at cost	Oil and gas	401,849	351,331
	Mines and minerals	775,967	732,058
	Forest products	321,887	265,059
	Iron and steel	761,013	—
	Real estate and related operations	223,896	174,693
	Hotels and food services	105,458	82,899
	Other operations	5,939	—
		2,596,009	1,606,040
	Less: Accumulated depreciation, depletion and amortization	898,313	506,481
		1,697,696	1,099,559
Other Assets		53,091	39,500
		$2,906,739	$2,012,227

Auditors' Report to the Shareholders of Canadian Pacific Investments Limited:

We have examined the consolidated balance sheet of Canadian Pacific Investments Limited and subsidiary companies as at December 31, 1974 and the statements of consolidated income, consolidated retained income and changes in consolidated financial position for the year then ended. Our examination of the financial statements of Canadian Pacific Investments Limited and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied upon the reports of the auditors who have examined the financial statements of the other subsidiaries, which include Cominco Ltd., The Algoma Steel Corporation, Limited and The Great Lakes Paper Company, Limited.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1974 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in accounting for income taxes as described in the Summary of Significant Accounting Policies, on a basis consistent with that of the preceding year.

Price Waterhouse & Co.,
Chartered Accountants
Montreal, Quebec, March 5, 1975.

See Summary of Significant Accounting Policies, Other Financial Information and Notes to Financial Statements.

Consolidated Balance Sheet — Liabilities

December 31		1974	1973
		(in thousands)	
Current Liabilities	Bank loans	**$ 43,737**	$ 6,468
	Accounts payable and accrued charges —		
	Canadian Pacific Limited	**10,248**	5,277
	Other	**212,243**	97,127
	Notes and accrued interest payable	**172,586**	144,202
	Income and other taxes payable	**96,248**	40,716
	Dividends payable	**19,622**	15,112
	Long term debt maturing within one year	**96,498**	133,349
		651,182	442,251
Deferred Liabilities		**21,483**	6,650
Long Term Debt		**731,239**	462,582
Outside Shareholders' Interest in Subsidiary Companies	PanCanadian Petroleum Limited	**17,322**	13,836
	Cominco Ltd.	**217,775**	196,154
	The Great Lakes Paper Company, Limited	**23,768**	18,054
	The Algoma Steel Corporation, Limited	**176,236**	—
		435,101	228,044
Deferred Income Taxes		**254,275**	162,849
Shareholders' Equity	Capital stock		
	Preferred shares		
	Authorized — 12,500,000 shares of a par value of $20 each		
	Issued — 1,378,847 (1973 — 3,031,019) 4¾% Cumulative Redeemable Convertible Voting, Series A	**27,577**	60,620
	Common shares		
	Authorized — 100,000,000 shares without nominal or par value		
	Issued — 58,039,782 (1973 — 53,971,600) shares	**405,167**	361,430
	Paid-in surplus	**81,800**	81,800
	Retained income	**298,915**	206,001
		813,459	709,851
		$2,906,739	$2,012,227

Approved on behalf of the Board:
Ian D. Sinclair, Director
W. Moodie, Director

Other Financial Information

Depreciation, Depletion and Amortization Charged to Expenses

	1974	1973
	(in thousands)	
Oil and gas	**$ 20,382**	$ 18,813
Mines and minerals	**57,734**	52,221
Forest products	**10,847**	10,005
Iron and steel	**15,728**	—
Real estate and related operations	**2,298**	2,096
Hotels and food services	**3,904**	3,329
Other operations	**51**	—
	$110,944	$ 86,464

The amount of depletion charged to income for the year 1974 was $31,770,000 (1973 — $25,676,000) and the accumulated depletion at December 31, 1974 was $159,292,000.

Interest Expense

	1974	1973
	(in thousands)	
Interest on long term debt	**$ 58,525**	$ 41,074
Interest on short term debt	**19,529**	7,365
	$ 78,054	$ 48,439

Income Taxes

	1974	1973
	(in thousands)	
Oil and gas	**$ 27,347**	$ 11,459
Mines and minerals	**93,720**	45,141
Forest products	**16,283**	16,429
Iron and steel	**5,173**	—
Real estate and related operations	**4,205**	3,003
Hotels and food services	**4,160**	3,471
Finance	**718**	428
Other operations	**22**	—
Investment income	**(62)**	—
	151,566	79,931
Extraordinary items	**—**	(207)
Total (including deferred income taxes of 1974 — $33,951,000; 1973 — $27,037,000)	**$151,566**	$ 79,724

Extraordinary Items

	1974	1973
	(in thousands)	
Gain on sale of land	**$ —**	$ 1,349
Net gain on disposal of investments after income taxes	**—**	4,858
	$ —	$ 6,207

Other Financial Information

Inventories

	1974	1973
	(in thousands)	
Oil and gas		
Product	$ 1,749	$ 2,681
Stores and materials	1,440	228
	3,189	2,909
Mines and minerals		
Raw materials and products	91,383	71,653
Stores and materials	32,785	23,994
	124,168	95,647
Forest products		
Raw materials and products	13,441	10,823
Stores and materials	7,069	5,113
	20,510	15,936
Iron and steel		
Raw materials and products	78,928	—
Stores and materials	14,871	—
	93,799	—
Real estate and related operations		
Condominiums held for sale	5,436	5,063
Stores and materials	—	162
	5,436	5,225
Hotels and food services		
Materials and supplies	3,351	1,356
Other operations		
Raw materials and products	230	—
	$250,683	$121,073

Investment Portfolio as at December 31, 1974

	Number of shares	Percentage of outstanding voting shares	Cost	Approximate market value
			(in thousands)	
Common Stocks				
Husky Oil Ltd.	354,000	3.65	$ 4,053	$ 4,071
MacMillan Bloedel Limited	2,849,600	13.43	82,560	61,979
MICC Investments Ltd.	410,500	7.19	1,880	3,284
Northern and Central Gas Corporation Limited	358,200	2.67	5,015	3,045
Rio Algom Mines Limited	1,210,869	9.88	28,280	23,006
TransCanada PipeLines Limited	4,501,567	15.91	52,703	37,137
Union Carbide Canada Limited	825,300	8.25	18,375	11,761
Other			7,343	5,029
			200,209	149,312
Preferred Stocks			7,424	4,197
Bonds, Debentures and Notes			13,315	11,856
			$220,948	$165,365

Other Investments

	1974	1973
	(in thousands)	
Dominion Bridge Company, Limited	$ 52,939	$ —
Tara Exploration and Development Company Limited	26,877	—
Panarctic Oils Ltd.	20,615	16,865
Tilden Iron Ore Company	13,408	—
Other	38,219	40,654
	$152,058	$ 57,519

Other Financial Information

Properties and Accumulated Depreciation, Depletion and Amortization

	1974			1973
(in thousands)	Cost	Accumulated depreciation, depletion and amortization	Net	Net
Oil and gas				
Equipment	$ 80,274	$ 31,149	$ 49,125	$ 43,013
Petroleum, natural gas and mineral properties	321,575	88,848	232,727	208,052
	401,849	119,997	281,852	251,065
Mines and minerals				
Land, buildings and equipment	596,780	237,841	358,939	353,938
Mining properties and development	179,187	64,121	115,066	116,466
	775,967	301,962	474,005	470,404
Forest products				
Land and improvements	2,650	—	2,650	2,204
Buildings and equipment	234,107	112,325	121,782	72,756
Timberlands, leases and licences	85,130	11,565	73,565	76,744
	321,887	123,890	197,997	151,704
Iron and steel				
Manufacturing plants	669,019	261,921	407,098	—
Raw material properties	91,994	51,235	40,759	—
	761,013	313,156	447,857	—
Real estate and related operations				
Land	54,967	—	54,967	40,210
Buildings	156,555	12,531	144,024	121,746
Construction in progress	12,374	—	12,374	2,955
	223,896	12,531	211,365	164,911
Hotels and food services				
Land	4,262	—	4,262	2,690
Buildings and equipment	101,196	25,262	75,934	58,785
	105,458	25,262	80,196	61,475
Other operations				
Buildings and equipment	5,939	1,515	4,424	—
	$2,596,009	$ 898,313	$1,697,696	$1,099,559

Long Term Debt

(in thousands)	1974	1973
Canadian Pacific Investments Limited		
Promissory note due 1974	$ —	$ 14,601
Promissory note due 1975	14,511	14,511
Promissory note due 1977	10,000	—
5.7% Income Debentures due 1974	—	20,000
7½% Income Debentures due 1975-1979	26,000	—
7¼% Income Debenture due 1978	1,000	—
Bank loan due 1976	18,000	18,000
The Algoma Steel Corporation, Limited		
5¼% Sinking Fund Debentures due 1978	12,172	—
7⅜% Sinking Fund Debentures due 1987	26,385	—
8¾% Sinking Fund Debentures due 1991	34,000	—
10⅜% Sinking Fund Debentures due 1994	50,000	—

Other Financial Information

Long Term Debt (continued)

	1974	1973
	(in thousands)	
The Algoma Steel Corporation, Limited (continued)		
8½% Series A notes due 1991	**$ 16,500**	$ —
Short term — convertible into term loans in 1976	**25,000**	—
Other	**4,653**	—
Canadian Pacific Hotels Limited		
8⅝% First Mortgage Sinking Fund Bonds, Series A due 1992	**20,000**	20,000
Sundry — due 1975-1977	**5,603**	1,249
Canadian Pacific Securities Limited		
7% bank loan due 1979	**25,000**	25,000
9½% Sinking Fund Debentures due 1990	**25,000**	25,000
9⅜% Sinking Fund Debentures due 1990	**40,000**	40,000
8¼% Sinking Fund Debentures due 1993	**15,000**	15,000
10½% Debentures due 1984	**30,000**	—
CanPac Leasing Limited		
Bank loans due 1975-1980	**22,240**	26,305
Cominco Ltd.		
8½% Sinking Fund Debentures due 1991	**65,000**	65,000
Subsidiaries of Cominco Ltd.		
Sundry indebtedness	**85,240**	86,251
Fording Coal Limited		
Bank loans due 1975-1978	**60,000**	60,000
Export-Import Bank of the United States		
6% loan repayable semi-annually to 1977	**5,067**	7,110
The Great Lakes Paper Company, Limited		
First Mortgage Bonds —		
4% Sinking Fund bonds, series A, maturing 1975	**3,750**	4,199
8% Sinking Fund bonds, series B, maturing 1989	**18,200**	18,700
Debentures —		
5¾% serial debentures, series C, maturing 1975	**1,075**	2,150
Marathon Realty Company Limited		
Sundry loans and mortgages payable 1975-1997	**15,036**	3,137
Bank loans due 1975-1983	**28,000**	17,200
PanCanadian Petroleum Limited		
Bank loans due 1975-1983	**57,468**	49,125
8⅛% Sinking Fund Secured Debentures due 1992	**25,000**	25,000
8¾% Sinking Fund Secured Debentures due 1992	**25,000**	25,000
Other companies	**17,837**	13,393
	827,737	595,931
Less: Long term debt maturing within one year	**96,498**	133,349
	$731,239	$462,582

Annual maturities and sinking fund requirements for each of the five years following 1974 are: 1975, $96,498,000; 1976, $85,680,000; 1977, $59,695,000; 1978, $58,282,000; 1979, $52,548,000.

Except where otherwise indicated, interest on bank loans fluctuates (in certain cases within defined limits) with the lender's prime commercial rate.

At December 31, 1974, foreign currency long term debt translated at current rates would be $48,042,000, which is $2,204,000 less than the amount at which it is carried above.

Notes to Consolidated Financial Statements

1. Capital Stock

Each preferred share, series A, is convertible at the option of the holder to November 1, 1977 into two common shares, and is redeemable at CPI's option at $20 per share.

In 1974, a total of 4,068,182 common shares was issued consisting of 763,838 shares at $14 per share on exercise of warrants and 3,304,344 shares on conversion of preferred shares. All warrants have now expired.

2. Pensions

At December 31, 1974 there were unfunded liabilities, determined by actuarial evaluations, of $46,000,000 which is being funded by equal annual payments to 1989 and $24,000,000 which is being funded by equal annual payments to 1991. Pension plan changes effective January 1, 1975, will increase this liability by $1,400,000 to be funded by equal annual payments to 1989.

3. Commitments and Contingencies

At December 31, 1974 commitments for capital expenditures amounted to $292,000,000 and commitments under long term leases were estimated at $67,000,000.

Sundry guarantees and claims were estimated at $11,335,000.

PanCanadian and Tyler Corporation of Dallas, Texas have commenced construction of an ammonia complex having an estimated cost upon completion in 1976 of $77,000,000 of which $6,000,000 has been expended to December 31, 1974. The complex will be owned 60% by PanCanadian and 40% by Tyler. Subsequent to commencement of construction of the plant the Alberta government enacted legislation requiring the obtaining of an industrial development permit. PanCanadian applied for the permit on October 1, 1974 and it has not yet been issued. Subject to the issuance of the permit PanCanadian has arranged financing for its share ($46,200,000) of cost of the complex to the extent of $30,000,000 to bear interest at 9¾% and to be repayable by equal annual instalments over 12 years.

Other investments include advances to Tilden Iron Ore Company (participant in a cost sharing joint venture to produce iron ore pellets) by a subsidiary of Algoma Steel. The subsidiary is entitled to receive its share of pellets, estimated at 1.2 million tons per annum, and is committed to pay its 47 per cent share of Tilden's costs, including amounts sufficient to repay its share of that company's long term debt amounting to $4,200,000 in each of 1975, 1976 and 1977, $4,600,000 in 1978 and $2,700,000 in 1979. Algoma Steel has entered into agreements under which it may be called upon to invest amounts in the subsidiary which would be available to meet such commitment of the subsidiary. At December 31, 1974, 47 per cent of Tilden's long term debt is $53,500,000. In addition, the subsidiary is committed to advance $3,000,000 for expenditures to expand Tilden production facilities:

4. Directors' and Officers' Remuneration

In 1974, CPI had 10 directors and 6 officers. Remuneration paid directly to each group by CPI was $47,000 (1973 - $30,000) and $177,000 (1973 - $148,000) respectively. Two of the officers were also directors. In addition certain directors of CPI received remuneration from the undernoted subsidiaries in their capacities as directors or officers of those companies.

	1974	1973
Cominco	$192,000	$332,000
PanCanadian	103,000	85,000
Others, principally Marathon	90,000	15,000

5. Acquisitions

As the result of a cash tender offer effective July 8, 1974, CPI increased its holdings in The Algoma Steel Corporation, Limited, a major Canadian iron and steel producer, from 3,399,961 shares to 5,899,961 shares, or 50.56% of the issued shares. The acquisition has been accounted for as a purchase, and the financial statements of Algoma Steel have been consolidated with those of CPI from July 8, 1974; prior to that date, CPI's investment was carried at cost in the investment portfolio and income was recorded only to the extent of dividends received.

Income attributable to CPI's interest in Algoma Steel included in consolidated net income for 1974 amounted to $15,798,000 compared with dividends of $1,102,000 recorded in 1973 from the date of the first acquisition of shares on September 5.

A summary of the net assets acquired and the consideration given is as follows:

	(in thousands)
Assets, at book values	$ 624,079
Less — Reduction to cost to CPI	20,643
Net value assigned to assets	603,436
Liabilities, at book values considered equivalent to fair values	(285,725)
Minority interest	(167,282)
Cash paid (including cost of investment previously held in Portfolio — $59,605,000)	$ 150,429

Other acquisitions during 1974 are not material in amount.

6. Subsequent Events

Long term financing in 1975 included $35,000,000 of 11¼% First Mortgage Bonds by The Great Lakes Paper Company, Limited, $46,900,000 of 7¼% Income Debentures and $5,000,000 of 6¼% Income Debentures by Canadian Pacific Investments Limited and $60,000,000 of 10⅞% Debentures by Cominco Ltd. Canadian Pacific Hotels Limited filed a preliminary prospectus for an issue of First Mortgage Bonds.

Five-Year Summary

	1970	1971	1972	1973	**1974**
	Figures in thousands, except amounts per share				
Consolidated Income					
Oil and gas	$ 9,073	$ 10,640	$ 11,009	$ 18,649	**$ 40,317**
Mines and minerals	13,447	7,506	11,467	20,176	**48,723**
Forest products	1,683	3,358	4,200	12,437	**12,069**
Iron and steel	—	—	—	—	**14,172**
Real estate and related operations	1,595	1,456	3,365	4,712	**5,582**
Hotels and food services	877	2,402	2,960	3,683	**4,507**
Finance	126	105	112	595	**780**
Other operations	—	—	—	—	**(42)**
Investment income	9,423	5,264	6,856	8,721	**4,529**
Income before extraordinary items	36,224	30,731	39,969	68,973	**130,637**
Extraordinary items	1,510	3,043	1,936	6,207	**—**
Net Income	$ 37,734	$ 33,774	$ 41,905	$ 75,180	**$ 130,637**
Dividends—Preferred shares	$ 4,713	$ 4,705	$ 4,696	$ 4,674	**$ 2,082**
—Common shares	23,706	23,718	23,727	27,650	**35,641**
Number of Shares Outstanding					
Common	50,088	50,120	50,135	53,972	**58,040**
Preferred	4,959	4,947	4,939	3,031	**1,379**
Per Common Share					
Income before extraordinary items	$ .63	$ .52	$ .70	$ 1.28	**$ 2.29**
Net income	.66	.58	.74	1.40	**2.29**
Dividends	.4733	.4733	.4733	.53	**.62**
Investments at year end					
Portfolio	$271,709	$224,360	$ 229,474	$ 276,735	**$ 220,948**
Properties	696,092	962,384	1,018,615	1,099,559	**1,697,696**

1974 Annual Report Canadian Pacific Investments Limited

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